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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 54 and 61

[WC Docket Nos. 10-90, 07-135, 05-337, 03-109; GN Docket No. 09-51; CC Docket Nos. 01-92, 96-45; WT Docket No. 10-208; DA 12-298]

Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this document, the Federal Communications Commission clarifies certain rules. The order clarifies, but does not otherwise modify, the USF/ICC Transformation Order. The petition for Clarification or, in the Alternative, for Reconsideration of Verizon is granted in part and dismissed in part, and the Petition for Reconsideration of United States Telecom Association is dismissed in part.

DATES: Effective **[INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]**

FOR FURTHER INFORMATION CONTACT: Amy Bender, Wireline Competition Bureau, (202) 418-1469, Victoria Goldberg, Wireline Competition Bureau, (202) 418-7353

SUPPLEMENTARY INFORMATION: This is a summary of the Wireline Competition Bureau's Order in WC Docket Nos. 10-90, 07-135, 05-337, 03-109; GN Docket No. 09-51; CC Docket Nos. 01-92, 96-45; WT Docket No. 10-208; DA 12-298, released on February 27, 2012. The full text of this document is available for public

inspection during regular business hours in the FCC Reference Center, Room CY-A257, 445 12th Street, SW., Washington, DC 20554. Or at the following Internet address:
http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0227/DA-12-298A1.pdf

I. INTRODUCTION

1. In the USF/ICC Transformation Order, the Commission delegated to the Wireline Competition Bureau (Bureau) the authority to revise and clarify rules as necessary to ensure that the reforms adopted in the Order are properly reflected in the rules. In this Order, the Bureau acts pursuant to this delegated authority to revise and clarify certain rules, and acts pursuant to authority delegated to the Bureau in §§ 0.91, 0.201(d), and 0.291 of the Commission's rules to clarify certain rules.

II. DISCUSSION

A. Intercarrier Compensation

2. In the USF/ICC Transformation Order, the Commission adopted a prospective transitional intercarrier compensation framework for VoIP-PSTN traffic. This transitional framework included default compensation rates and addressed a number of implementation issues, including explaining the scope of charges that local exchange carrier (LEC) partners of affiliated or unaffiliated retail VoIP providers are able to include in tariffs. In particular, the Commission determined that it was appropriate to adopt a "symmetric" framework for VoIP-PSTN traffic. This symmetric approach means that "providers that benefit from lower VoIP-PSTN rates when their end-user customers' traffic is terminated to other providers' end-user customers also are restricted to charging the lower VoIP-PSTN rates when other providers' traffic is terminated to their end-user

customers.”

3. As part of its symmetric regime, the Commission adopted rules that “permit a LEC to charge the relevant intercarrier compensation for functions performed by it and/or its retail VoIP partner, regardless of whether the functions performed or the technology used correspond precisely to those used under a traditional TDM architecture.” The Commission cautioned, however, that “although access services might functionally be accomplished in different ways depending upon the network technology, the right to charge does not extend to functions not performed by the LEC or its retail VoIP service provider partner.” The Commission adopted this limitation to address concerns in the record regarding double billing. This limitation was codified as part of the VoIP-PSTN framework in § 51.913(b) of the Commission’s rules. The Commission also modified its tariffing rules in Part 61 for competitive LECs to implement the VoIP symmetry rule.

4. On February 3, 2012, YMax Communications Corp. (YMax) filed an ex parte letter seeking confirmation of its interpretation that “under [the Commission’s] new VoIP-PSTN ‘symmetry’ rule, a LEC is performing the functional equivalent of ILEC access service, and therefore entitled to charge the full ‘benchmark’ rate level, whenever it is providing telephone numbers and some portion of the interconnection with the PSTN, and regardless of how or by whom the last-mile transmission is provided.” Stated differently, YMax seeks guidance from the Commission as to whether the revised rule language in Part 61, specifically, § 61.26(f) permits a competitive LEC to tariff and charge the full benchmark rate even if it includes functions that neither it nor its VoIP retail partner are actually providing. YMax asserts that the purpose of the Commission’s

revisions to § 61.26(f) was to “defin[e] the minimum access functionality necessary in order for a CLEC to be allowed to collect access charges at the full benchmark level under the VoIP-PSTN symmetry rule.” We disagree. The Commission revised § 61.26(f) to reflect the change in the tariffing process to implement the VoIP symmetry rule, which included limitations to prevent double billing. Interpreting the rule in the manner proposed by YMax could enable double billing. The Commission made clear in adopting the VoIP-symmetry rule that it intended to prevent double billing and charging for functions not actually provided. Indeed, § 51.913(b) expressly states that “[t]his rule does not permit a local exchange carrier to charge for functions not performed by the local exchange carrier itself or the affiliated or unaffiliated provider of interconnected VoIP service or non-interconnected VoIP service.”

5. YMax’s letter does, however, highlight a potential ambiguity because the amended rule § 61.26(f), which is the tariffing provision intended to implement the VoIP symmetry rule, did not include an express cross reference to § 51.913(b). Although § 51.913(b) makes clear that its terms apply notwithstanding any other Commission rule, to remove any ambiguity regarding the scope of what competitive LECs are permitted to assess in their tariffs, we amend § 61.26(f) to make clear that the ability to charge under the tariff is limited by § 51.913(b). In so doing, we address and reject YMax’s interpretation of § 61.26(f).

B. Universal Service

6. Verizon Petition for Clarification or, in the Alternative, for Reconsideration. In the USF/ICC Transformation Order, the Commission adopted rules

to phase down existing high-cost support for competitive eligible telecommunications carriers (ETCs), and addressed the phase down of existing high-cost support to Verizon Wireless and Sprint pursuant to those carriers' prior merger commitments, as clarified by the Corr Wireless Order. On December 29, 2011, Verizon Wireless filed a petition for clarification or, in the alternative, for reconsideration of this aspect of the Order as it applies to Verizon Wireless. Verizon Wireless argues that there are two permissible interpretations of the USF/ICC Order as it bears on the phase down of support for Verizon Wireless: that the general phase down of the competitive ETC support applies but Verizon Wireless's merger commitment no longer does, or that Verizon Wireless's merger commitment remains in effect but general phase down of competitive ETC support does not. Verizon Wireless states that a Bureau-level clarification is the appropriate means of resolving this ambiguity.

7. The Bureau clarifies that, pursuant to paragraph 520 of the USF/ICC Transformation Order, only Verizon Wireless's merger commitment applies. Specifically, the Bureau clarifies that Verizon Wireless will receive support in 2012 based on its merger commitments, as clarified by the Corr Wireless Order, not based on the general phase down of competitive ETC support described in the USF/ICC Transformation Order. Verizon Wireless will not receive high-cost competitive ETC support after 2012. The Universal Service Administrative Company (USAC) shall disburse to Verizon Wireless in 2012 20 percent of the support it would have received for each ETC service area in the absence of its merger commitment and the USF/ICC Transformation Order. As a proxy for the amount Verizon Wireless would have received in 2012 in the absence of its merger commitment and the USF/ICC Transformation

Order, USAC shall use the amount of support it calculated for Verizon Wireless in 2011 pursuant to the identical support rule and the interim cap, including any support not actually disbursed to Verizon Wireless as a result of the merger commitment.

8. Accordingly, the Bureau grants Verizon's Petition to the extent it requests clarification of the phase down of competitive ETC support and dismisses Verizon's Petition to the extent it alternatively requests reconsideration of the same issue.

9. Other Matters. First, the Bureau amends the definition of "rate-of-return carrier" in § 54.5 of our rules to correct an erroneous cross-reference to the definition of price cap regulation.

10. Second, the Bureau dismisses in part the petition for reconsideration filed by the United States Telecom Association (USTelecom), which, among other things, asked the Commission to clarify that reductions in legacy support resulting from a failure to meet the urban rate floor will, at most, extend only to high-cost loop support and high-cost model support.

11. In the USF/ICC Clarification Order, the Bureaus addressed this issue by amending § 54.318(d) to clarify that support reductions associated with the rate floor will offset frozen CAF Phase I support only to the extent that the recipient's frozen CAF Phase I support replaced HCLS and HCMS. The Bureaus further stated that the offset does not apply to frozen CAF Phase I support to the extent that it replaced IAS and ICLS. Because the USF/ICC Clarification Order addressed this issue, the Bureau dismisses as moot that portion of the USTelecom petition for reconsideration.

III. PROCEDURAL MATTERS

A. Paperwork Reduction Act

12. This document does not contain new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified information collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4).

B. Final Regulatory Flexibility Act Certification

13. Final Regulatory Flexibility Certification. The Regulatory Flexibility Act of 1980, as amended (RFA), requires that a regulatory flexibility analysis be prepared for rulemaking proceedings, unless the agency certifies that "the rule will not have a significant economic impact on a substantial number of small entities." The RFA generally defines "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. A small business concern is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).

14. This Order clarifies, but does not otherwise modify, the USF/ICC Transformation Order. These clarifications do not create any burdens, benefits, or requirements that were not addressed by the Final Regulatory Flexibility Analysis

attached to USF/ICC Transformation Order. Therefore, we certify that the requirements of this Order will not have a significant economic impact on a substantial number of small entities. The Commission will send a copy of the Order including a copy of this final certification in a report to Congress pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996, *see* 5 U.S.C. 801(a)(1)(A). In addition, the Order and this certification will be sent to the Chief Counsel for Advocacy of the Small Business Administration, and will be published in the Federal Register. *See* 5 U.S.C. 605(b).

C. Congressional Review Act

15. The Commission will send a copy of this Order to Congress and the Government Accountability Office pursuant to the Congressional Review Act.

IV. ORDERING CLAUSES

16. Accordingly, IT IS ORDERED, pursuant to the authority contained in sections 1, 2, 4(i), 201-206, 214, 218-220, 251, 252, 254, 256, 303(r), 332, and 403 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. 151, 152, 154(i), 201-206, 214, 218-220, 251, 252, 254, 256, 303(r), 332, 403, 1302, and pursuant to §§ 0.91, 0.201(d), 0.291, 1.3, and 1.427 of the Commission's rules, 47 CFR 0.91, 0.201(d), 0.291, 1.3, 1.427 and pursuant to the delegation of authority in paragraph 1404 of FCC 11-161 (rel. Nov. 18, 2011), that this Order IS ADOPTED, effective **[INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]**.

17. IT IS FURTHER ORDERED, that parts 54 and 61 of the Commission's

rules, 47 CFR parts 54, 61 are AMENDED as set forth, and such rule amendments shall be effective 30 days after the date of publication of the rule amendments in the Federal Register.

18. IT IS FURTHER ORDERED that, pursuant to the authority contained in section 254 of the Communications Act of 1934, as amended, 47 U.S.C. 254, and the authority delegated in §§ 0.91 and 0.291 of the Commission's rules, 47 CFR 0.91, 0.291, the Petition for Clarification or, in the Alternative, for Reconsideration of Verizon IS GRANTED IN PART AND DISMISSED IN PART and the Petition for Reconsideration of United States Telecom Association IS DISMISSED IN PART.

19. IT IS FURTHER ORDERED, that the Commission SHALL SEND a copy of this Order to Congress and the Government Accountability Office pursuant to the Congressional Review Act, *see* 5 U.S.C. 801(a)(1)(A).

20. IT IS FURTHER ORDERED, that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, SHALL SEND a copy of this Order, including the Final Regulatory Flexibility Certification, to the Chief Counsel for Advocacy of the Small Business Administration.

List of Subjects 47 CFR Parts 54 and 61

Communications common carriers, Reporting and record keeping requirements,
Telecommunications, Telephone

FEDERAL COMMUNICATIONS COMMISSION

Sharon E. Gillett
Chief, Wireline Competition Bureau

Final rules

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR parts 54 and 61 to read as follows:

PART 54—UNIVERSAL SERVICE

1. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 201, 205, 214, 219, 220, 254, 303(r), 403, and 1302 unless otherwise noted.

2. Amend § 54.5 by revising the definition of “rate-of-return carrier” to read as follows.

§ 54.5 Terms and definitions.

* * * * *

Rate-of-return carrier. “Rate-of-return carrier” shall refer to any incumbent local exchange carrier not subject to price cap regulation as that term is defined in § 61.3(ee) of this chapter.

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PART 61—TARIFFS

3. The authority citation for part 61 continues to read as follows:

Authority: Secs. 1, 4(i), 4(j), 201–205 and 403 of the Communications Act of 1934, as amended; 47 U.S.C. 151, 154(i), 154(j), 201–205 and 403, unless otherwise noted.

4. Revise § 61.26(f) to read as follows:

§ 61.26 Tariffing of competitive interstate switched exchange access services.

* * * * *

(f) If a CLEC provides some portion of the switched exchange access services used to send traffic to or from an end user not served by that CLEC, the rate for the access services provided may not exceed the rate charged by the competing ILEC for the same access services, except if the CLEC is listed in the database of the Number Portability Administration Center as providing the calling party or dialed number, the CLEC may, to the extent permitted by § 51.913(b) of this chapter, assess a rate equal to the rate that would be charged by the competing ILEC for all exchange access services required to deliver interstate traffic to the called number.

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